Electric Utility Performance and Tracking Metrics Comments for Consideration in ICC Staff's Workshop Summary Report

Dear Mr. Bridal,

Advanced Energy Economy (AEE) appreciates the opportunity to participate in the stakeholder process as Staff prepares its report to the Commission on potential performance metrics, material issues that remain unresolved from the stakeholder process, and any recommendation for workshop process improvements. AEE believes that a robust stakeholder process is an important first step to developing comprehensive and effective performance and tracking metrics that align utility financial interests with public policy goals and customer interests. AEE has engaged in proceedings across the country to develop performance metrics for utilities and offers some recommendations below on general principles that have worked well for guiding the development of metrics in other states.

To ensure that these metrics are focused on providing real benefits to customers, we recommend that they measure the final desired outcome rather than means or activities to achieve a particular outcome. The focus on final outcomes avoids several potential pitfalls with performance metrics. First, there may be a number of means for achieving a particular outcome, but some may work better than others. For example, demand reduction can be achieved by demand response, DER, and energy efficiency, but one technology or another may provide demand reductions more cost-effectively based on a given set of circumstances. By not locking in a particular means, a utility will be encouraged to find the most effective means to achieve an outcome. Second, outcome-based metrics help overcome one of regulation's main hurdles: information asymmetry between utilities and regulators. Utilities may have better knowledge about their systems and operations but may lack appropriate incentives to leverage this information to achieve better outcomes. If metrics are merely activity-based or focused on specific programs, utilities will lack incentives to drive performance with actions that lie outside of those metrics. Last, outcome-based metrics help guarantee that benefits are delivered to customers. It is possible that a utility could perform well on a metric focused on the implementation of a particular program, but if the program was poorly designed from the outset, the utility could earn on metric performance while customers are left without the intended benefits. Metrics that are focused on outcomes and delivering a net benefit to the customer forms a basis to encourage specific utility behavior and creates the framework for an incentive structure to encourage specific utility behavior.

We also recommend that the metrics should be limited in number. Large lists of metrics can split utility attention (as well as the amount of incentive associated with a particular metric), decreasing the likelihood that performance will be maximized in a particular area. More metrics also increase the potential for double-counting benefits associated with an overall metric

framework. Fortunately, outcome-based metrics can help decrease the number of metrics needed in a plan as the final outcomes are described rather than all the intermediate enabling steps and activities.

As the Commission initiates the process to implement the Clean Energy and Jobs Act, we look forward to working with it and other stakeholders to achieve the vision of this bill and work to transform Illinois's power sector, create jobs and economic opportunity, and promote equity within the state. If you have any questions regarding these comments, please feel free to contact me at rhaggart@aee.net

Best,
Robert Haggart